
Program Audit Follow-up: Schools Becoming Medicaid Providers

*Prepared for the Committee on Legislative Research
by the Oversight Division*

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May, 1996

Members of the Committee on Legislative Research:

As required by statute, we have concluded our follow-up review of the December, 1994 audit report issued on the Schools Becoming Medicaid Providers program. One year after the completion of a management or program audit, the Oversight Division is required to review the operations of the agency audited to determine whether or not there has been substantial compliance with the recommendations contained in the report.

We are pleased to report that three recommendations are fully implemented, and that the Department of Social Services has made progress in implementing another recommendation.

The following three recommendations have not been implemented:

The Department of Social Services has not re-aligned the duties of the seven personnel positions appropriated to focus their efforts on the program as Oversight recommended in Finding #1.

The Departments of Social Services and Elementary & Secondary Education have not developed a coordinated plan to carry out the duties of the program as specified by statute and by the Oversight Division recommendation to Finding #2.

The Office of Administration, Department of Social Services and Department of Elementary and Secondary Education have not developed written procedures and regulations to allow school districts to utilize the Health Initiatives Fund as an alternative medicaid reimbursement method.

The accompanying report includes the original audit recommendations and our comments regarding their status.

A handwritten signature of Jeanne A. Jarrett.

Jeanne A. Jarrett, CPA, CGFM
Director, Oversight Division

Introduction

The Joint Committee on Legislative Research directed the Oversight Division to conduct a program audit of school districts becoming Medicaid providers as included in House Bill 564, which was Truly Agreed To and Finally Passed during the 87th General Assembly First Regular Session. This legislation became effective August 1993 and affected the following agencies: Department of Social Services (DOSS), Department of Elementary and Secondary Education (DESE), Department of Health (DOH) and Office of Administration (OA). One of the components of HB 564 directed DOSS and DESE to develop a plan to encourage schools to become Medicaid providers and to provide the most accessible care to school age children. In addition, the Health Initiatives Fund (HIF) was established to provide grants to public schools, public school districts or local public health departments to expand school children health services for all school age children. Also, provision was made for school districts to arrange for a portion of their foundation formula funds to be transferred into the newly created HIF in order to earn federal funds, which would reduce the amount of General Revenue to be appropriated for administration of the program. Some school districts were enrolled as Medicaid providers previous to the legislation. However, the passage of HB 564 resulted in appropriation of additional staff and associated expense and equipment to assist in a promotional effort. Since school districts were already required by Federal legislation to provide many of these health care services, the intent of the legislation was to increase enrollment of schools as Medicaid providers and maximize federal fund reimbursement. The program audit performed by the Oversight Division informed the General Assembly of whether the program was operating efficiently, effectively and in accordance with legislative intent.

Background

Medicaid in the schools evolved as a result of language in the Omnibus Budget and Reconciliation Act (OBRA) of 1989. A component of this act outlined new and increased goals for the number of Early Periodic Screening Diagnosis and Treatment (EPSDT) screenings required per year. States are expected to adhere to these new goals within a particular time frame, or risk having their Medicaid funding capped. Therefore, the schools seemed to be

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the logical place to assist in achieving these increased goals for the EPSDT screenings.

There are three methods in which a school district can become a Medicaid provider: 1) Administrative Case Management (ACM); 2) Direct Service; and/or 3) Primary Care. The following discussion further explains these methods.

1) ACM is designed to reimburse school districts for performing administrative activities associated with the coordination of health care services for children; ACM manages the flow of activity that brings the child in need of service and the provider of service together. ACM centers on the process of identification of children with health care needs, making and following up on referrals and completing the loop of identification-examination-diagnosis-treatment. DOSS, Division of Medical Services (DMS), processes the invoices for the ACM program. School districts submit invoices quarterly; billing is based on percentage of staff time spent, percentage of Medicaid eligible students and an applicable percentage of 50% or 75%, depending upon whether the administrative function was performed by a skilled or a non-skilled professional employee.

2) Direct Service can be provided through the Medicaid Early Periodic Screening, Diagnosis and Treatment program (EPSDT) and is known in Missouri as the Healthy Children and Youth (HCY) program. Occupational, physical and speech therapies, as well as psychological counseling and social worker services, are the treatment categories for which reimbursement can be sought. Services must be medically necessary. To process payment of claims for direct service, DMS contracts with a fiscal agent, GTE Data Services. Once a therapist has enrolled and has been approved by DMS as a Medicaid provider, the therapist/provider receives a packet of various billing forms from GTE Data Services. GTE Data Services processes all Medicaid claims for various programs. The therapy services provided in the school districts comprise less than one percent of the total Medicaid claims processed by GTE Data Services.

3) Primary Care relates to a clinic located on-site at the school. For purposes of this audit, analysis was not made for the primary care program, since the majority of schools could not achieve delivery of health care of this magnitude, given a more limited number of health care professionals in rural areas. Presently, only one school district, Independence, has such a clinic.

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The federal fund reimbursement in State Fiscal Year (SFY) 94 for the ACM and Direct Service programs was \$5,174,768 and \$842,394, respectively. Transfer of funds to DESE in the amount of \$519,191 for the ACM program is included in these figures. During SFY 94, federal reimbursement was received for nine school districts in the ACM program and for 61 school districts in the Direct Service program, resulting in a collective participation of 11.8% of the school districts in either one or both the ACM and Direct Service programs.

In addition to schools receiving federal fund reimbursement for the Medicaid programs, a total of \$5,411,590 in grant funds from the Health Initiatives Fund was available to expand school children health services for all school age children in SFY 95.

Authority, Purpose, and Scope

This follow-up audit was conducted under the authority of Section 23.190 RSMo, which requires that one year after the completion of each audit the Oversight Division shall review the operations of the agency audited to determine whether or not there has been substantial compliance with the recommendations contained in the audit report. This follow-up was conducted according to generally accepted government auditing standards. Audit testing was limited in the follow-up, and mainly consisted of conducting interviews and some limited sampling. With respect to items not tested, nothing came to our attention that would cause us to believe that the state is not in compliance with any applicable laws, regulations, contracts or grants.

The purpose of this report is to present our conclusions regarding the Department of Social Services, the Department of Elementary and Secondary Education, the Department of Health, and the Office of Administration status in implementing recommendations from the December, 1994 performance audit. The report detailing that performance audit contained seven recommendations.

Implementation Status of the Audit Recommendations

FINDING #1: The resources provided to the Department of Social Services to encourage schools to become Medicaid providers were not used as planned or intended.

Recommendation:

DOSS should re-align the duties of the seven requested personnel positions to ensure their time is spent encouraging schools to become Medicaid providers.

Status:

This recommendation has not been implemented. DOSS stated it would be an inefficient and ineffective use of FTE to realign the duties of the seven requested positions solely to encourage local school districts to become Medicaid providers. Because participation in Medicaid is voluntary and a decision that only the local school district may make, the DOSS goal is to have personal contact with as many schools as possible. It appears that interest in becoming Medicaid providers from schools has leveled off during FY 96 indicating a point where school districts may have either made a decision to participate or not to participate. DOSS plans a telephone campaign during FY 97 to contact each school district not participating in or developing an ACM, not affiliated with a consortium, or billing for direct services to assess and record the reason why they are not and to offer technical assistance.

FINDING #2: The Department of Social Services and the Department of Elementary & Secondary Education did not develop a plan, as statutorily required, designed to encourage school districts to become Medicaid providers and to provide the most accessible care to school age children.

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Recommendation:

DOSS and DESE should, as required by statute, develop a coordinated plan which encourages school districts to become Medicaid providers and provide the most accessible care to school age children. The plan should be in written form and document a systematic and comprehensive approach to achieving goals for the program.

DESE should be designated the lead agency and an individual be appointed as the coordinating authority for the program.

Status:

This recommendation has not been implemented. However, DOSS and DESE state they have worked together and continue to work together to formulate and review, as needed, an operational plan of action to encourage schools to become Medicaid providers. The plan of action is carried out through the joint training sessions, on-site visits, and preparation of manuals and written information provided to school districts by DOSS and DESE.

FINDING #3: The Department of Social Services and the Department of Elementary & Secondary Education were successful in informing school districts of the existence of the program; however, they did not achieve maximum effectiveness through their techniques to encourage school districts to become Medicaid providers and to assist school districts in accessing available funds to expand health care services for all school age children.

Recommendation:

DOSS and DESE should establish goals for each fiscal year on the number of school districts the departments expect to contact on-site or by telephone regarding enrollment in the Medicaid program, as well as the availability of grants. Evaluation should be made as to whether established goals were met, and if necessary, take action to correct any deficiencies.

DOSS and DESE should develop and implement joint training procedures with established goals specifically designed for school districts becoming

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Medicaid providers. Evaluation should be made as to whether established goals were met, and if necessary, take action to correct any deficiencies.

Status:

This recommendation has been implemented. DOSS and DESE have engaged in an coordinated program of communications and technical support with local school districts. Because participation in Medicaid is voluntary and a decision that only the local school district may make, the DOSS and DESE goal is to have personal contact with as many schools as possible. It appears that interest in becoming Medicaid providers from schools has leveled off during FY 96 indicating a point where school districts may have either made a decision to participate or not to participate. DOSS plans a telephone campaign during FY 97 to contact each school district not participating in or developing an ACM, not affiliated with a consortium, or billing for direct services to assess and record the reason why they are not and to offer technical assistance.

FINDING #4: **The Department of Social Services did not explore the option of providing Medicaid payment incentives to school districts to encourage a school district to become a Medicaid provider.**

Recommendation:

DOSS should obtain a definition of Medicaid payment incentives.

DOSS should perform an analysis of providing Medicaid payment incentives to school districts to determine if providing incentives could positively impact the number of school districts enrolled as Medicaid providers.

DOSS should implement procedures for the provision of Medicaid payment incentives if the analysis reveals a positive impact for increased school enrollment in the Medicaid program.

Status:

This recommendation has been partially implemented. DOSS responded that they have researched federal Medicaid policies and determined there is no mechanism to receive Federal Financial Participation for payment of an

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incentive to participate in the Medicaid program to a school-based provider. In addition, DOSS stated there are federal regulations prohibiting states from exceeding upper payment limits relating to the reasonable cost for providing services. Any payment of Medicaid payment incentives would strictly be at the option of the state through General Revenue Fund funding. DOSS has no plans to develop a Medicaid payment incentive system.

FINDING #5:	The Department of Social Services did not adequately monitor the Administrative Case Management (ACM) program for compliance.
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Recommendation:

DOSS should develop a monitoring schedule for the ACM program, which outlines goals for the number/percentage of schools in the ACM program to be monitored on an annual basis.

DOSS should conduct and/or arrange for completion of the ACM reviews as outlined in the monitoring schedule.

DOSS should evaluate at the end of each fiscal year whether the established goal for schools monitored was met, and if necessary, take action to correct any deficiencies in the program.

Status:

This recommendation has been implemented. DOSS stated that a 100 percent sampling of school districts participating in ACM prior to January, 1995 will be completed by the end of FY 96. Subsequent to completion of the sampling DOSS will develop a schedule for randomly selecting ACM participating schools for review and will also develop a mechanism for reviews based on exceptions, i.e., when a school district's invoice appears to be beyond parameters observed for other similar school districts.

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FINDING #6: The Department of Health did not provide sufficient internal controls in the administration of the grant program.

Recommendation:

DOH should develop a logging/tracking system to track requested information.

DOH should develop procedures to deal with "fundable" grants requiring additional information, i.e., 1) hold grant awards until all required documentation is received and approved; 2) defer a decision on the project until the next funding cycle; or 3) make only a partial funding award.

DOH should modify procedures to ensure no conflict of interest exists in the selection process of grant recipients.

DOH should modify procedures to incorporate a requirement of source documentation for payment requests.

DOH should assign an employee with a fiscal background, in conjunction with the District Health Nurse, to conduct the compliance reviews.

Status:

This recommendation has been implemented. The Department of Health (DOH) has developed a calendar system to help track information requests and to allow for follow-up if the requested data is not received. A new procedure has been implemented that withholds funding for grants where any issue of concern exists or requested data has not been received by DOH. A board of review and an interagency team have been created to review and recommend the awarding of grants for the school health program. The board of review consists of DOH employees not associated with the school health program. The interagency team contains representatives from the Department of Social Services, Department of Elementary and Secondary Education, and DOH. The interagency team makes grant recommendations based on ratings determined by the board of review. In addition, DOH now requires approval of a detailed budget, requires management approval of any change to that budget, and performs random desk audits requiring source documents for all reimbursements. Finally, DOH has assigned an employee with fiscal experience to the program.

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FINDING #7: **Office of Administration and the Departments of Social Services and Elementary & Secondary Education did not provide sufficient information to school districts about the Health Initiatives Fund (HIF) or develop mandated procedures and rules and regulations relating to the use of HIF as an alternative Medicaid reimbursement method.**

Recommendation:

OA, DOSS and DESE should disseminate information to each school district regarding the Health Initiatives Fund.

OA, DOSS and DESE should, as required by Section 167.609(2).1, RSMo, develop written procedures and rules and regulations to allow school districts to use the Health Initiatives Fund as an alternative Medicaid reimbursement method.

Status:

This recommendation has not been implemented. OA, DOSS, and DESE all responded that there is no incentive for school districts to use the Health Initiatives Fund as an alternative Medicaid reimbursement method because the alternative method would reduce the amount of reimbursement to the school districts.

